CompTel ASCENT ALLIANCE

March 2, 2004

**VIA ELECTRONIC FILING**

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: ***International Settlements Policy Reform/International Settlement Rates, IB Docket Nos. 02-324, 96-261***

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, the CompTel/ASCENT Alliance hereby gives notice that on March 1, 2004, its representatives met with Commissioner Jonathan S. Adelstein and Barry Ohlson, Legal Advisor for Spectrum and International Issues.

In this meeting, the CompTel/ASCENT Alliance explained that, in order to protect U.S. consumers and carriers from harm caused by a lack of competition in the foreign mobile termination market, the Commission must respond to restrain foreign mobile termination rates. The attached written presentation was distributed and discussed at the meeting.

Representing the CompTel/ASCENT Alliance were Doug Schoenberger, AT&T; Scott Shefferman and Andres Maz, MCI; David Nall, Sprint; and the undersigned attorney.

Sincerely,

Carol Ann Bischoff

Carol Ann Bischoff
Chief Legal Officer

Attachment (1)

**COMPTEL/ASCENT ALLIANCE**
**INTERNATIONAL SETTLEMENTS POLICY (ISP) REFORM/**
**INTERNATIONAL SETTLEMENT RATES (ISR)**
**IB DOCKET NOS. 02-324, 96-261**

## MOBILE TERMINATION RATES

- <u>The Commission must respond to restrain foreign mobile termination rates</u>. In 2003, CompTel/ASCENT reported that the excessive international fixed-to-mobile termination rates cost consumers more than $368 million annually, and the subsidies transferred from the U.S. to carriers in Germany, France, the United Kingdom and Japan ranged from $14-25 million a year for each route. Subsidies transferred to Latin America mobile operators also constitute millions of dollars per year.

  - In the year since CompTel filed its comments in this proceeding, excessive foreign mobile termination rates still pose harm to U.S. consumers/carriers.

- <u>The FCC should clarify that foreign mobile termination rates should be cost-based; in virtually all cases, such rates would be at or below the current benchmark rates of that country, and such outbound mobile terminating traffic must settle at or below Benchmark:</u>

  - To protect the positive results of the benchmark Order from upward rate regression, thus protecting the U.S. public interest; and,

  - To ensure that mobile rates are at or below the Benchmark, the FCC must confirm that current benchmarks apply to mobile *in an absolute sense (i.e.*, regardless of the fixed rate).

## UNILATERAL RATE INCREASES

- <u>The Commission must clarify that unilateral rate increases by foreign carriers (including mobile) are impermissible, *i.e.*, the existing ISP prohibition on rate increases applies to U.S.-outbound mobile rates.</u>

- The Commission should specify that unilateral rate increases violate its long-standing principle that ISP prohibits rate increases that are not cost-justified:

- To aid U.S. carriers in negotiating mobile settlement rates that are below Benchmark and closer to actual cost, the Commission should specify that mobile rate agreements must move on a downward glide-path:

    - The FCC should adopt specific enforcement mechanisms allowing carrier initiated enforcement processes to address unilateral rate increases.

**The Commission should take action in a further proceeding to revise the Benchmarks settlement rates applicable to both mobile and fixed calls.**

- CompTel/ASCENT hopes that these rule clarifications – put into effect immediately – will allow commercial pressure in settlement rate negotiations to drive down excessive mobile termination rates. *This is particularly helpful for smaller carriers.*

- <u>Given the deeply flawed structure of the mobile termination market, it will be necessary for the Commission to initiate an FNPRM to consider more forceful measures to achieve lower mobile termination rates, including establishing lower Benchmark rates for mobile traffic.</u>

- CompTel/ASCENT urges the Commission to pursue this FNPRM as soon as possible after this proceeding.

**CONCLUSION:**

- Foreign mobile termination rates directly threaten to erode the benefits of lower international termination rates for U.S. consumers and carriers.

  - To stop this harm, the Commission must clarify that:

    - (1) All outbound mobile terminating traffic must settle at or below Benchmark; and,

    - (2) Unilateral rate increases by foreign carriers of mobile termination rates are impermissible.

  - The Commission must initiate an FNPRM to establish lower Benchmarks for mobile terminating traffic.

- These measures will help protect U.S. consumers/carriers from the harm caused by a lack of competition in the foreign mobile termination market.